

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SS-20 L-03 NSC-10 CIAE-00

INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SPC-03

STR-08 FEA-02 TRSE-00 INT-08 COME-00 PM-07 NEA-10

AF-10 FPC-01 CIEP-02 OMB-01 DRC-01 /165 W

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R 181705Z JAN 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 2798

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L ROME 0828

E.O. 11652: GDS

TAGS: ERNG, IT

SUBJECT: ENERGY: PRELIMINARY GOI THOUGHTS ON ENERGY CONFERENCE;
CURRENT GOI ACTIONS TO DIVERSIFY

STATE ALSO FOR T/IEP. ALSO FOR STR EBERLE AND NSC COOPER

REF: STATE 6569#

1. IN COURSE OF AMBASSADOR MALMGREN'S DISCUSSIONS OF ART XXIV:
WITH MINISTER OF FOREIGN TRADE GIANMATTEO/MATTEOTTI, LATTER URGED
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THAT FEB 11 ENERGY CONFERENCE FOCUS ON WAYS OF CONTROLLING AUCTION

PRICES OF PARTICIPATION CRUDE. MATTEOTTI TERMED THE COMPETITIVE BIDDING PROCESS AS DESTRUCTIVELY CONTRIBUTING TO SKYROCKETING REFERENCE PRICES. HE IDENTIFIED JAPAN AS BEARING MAJOR RESPONSIBILITY FOR OUTRAGEOUS AUCTION PRICES AND CONTRASTED STRONG JAPANESE FOREIGN EXCHANGE POSITION, WHICH PERMITS JAPAN TO PAY INFLATED PRICES AT LEAST IN SHORT RUN, WITH ITALIAN PAYMENTS SITUATION WHICH WAS WEAK EVEN BEFORE OIL CRISIS. MATTEOTTI CITED AGREEMENT SOMEHOW TO LIMIT AUCTION PRICES AS ONE SPECIFIC ITALIAN SUGGESTION FOR DISCUSSION AT ENERGY CONFERENCE.

2. TRADE MINISTER CONTINUED THAT EVEN BEFORE PRESENT OIL CRISIS ITALY WAS IN PROCESS OF SHIFTING AWAY FROM HEAVY RELIANCE ON ARAB OIL. HE SKETCHED FOUR MAJOR PROJECTS WHICH GOI, THROUGH ENI, HAS UNDER WAY; (A) LONG-TERM CONTRACT WITH CONGO (B) FOR SUPPLY OF ABOUT ONE-FIFTH ITALIAN OIL REQUIREMENTS IN 1975 WITH DEVELOPMENT OF MAJOR FIELD; (C) TRANS MEDITERRANEAN GAS PIPELINE FROM ALGERIA ALONG LINES REPORTED OUR 11661; (D) IRAN-IRAQ-TURKEY PIPELINE WHICH WOULD PERMIT DOUBLING PRESENT LEVEL OF 17 MILLION TONS CRUDE ANNUALLY FROM IRAN; AND (E) CRASH DEVELOPMENT OF NORTH SEA GAS AND OIL (LATTER ESTIMATED AT 2 MILLIONS TONS IN 1975) WHICH IS DEPENDENT ON NETHERLANDS AGREEMENT TO HONOR PRE-CRISIS EXPLORATION CONTRACTS WITH ENI AND BRITISH AND AMERICAN PARTNERS FOR DEVELOPMENT DUTCH NORTH SEA AREAS. MATTEOTTI ALSO CITED IMPENDING COMPLETION OF JANPAICAN REFINERY CONSTRUCTED BY ENI SUBSIDIARY Snam-Progetti. ITALY (MONTI GROUP) IS AN IMPORTANT MINORITY SHAREHOLDER AND WILL BE ABLE TO TAKE SUBSTANTIAL REFINING FEES IN CRUDE. HE SAID THAT THESE ARRANGEMENTS AND OTHERS LIKE THEM ARE DESIGNED TO ASSURE ITALY EQUIVALENT OF 180 MILLIONS TONS NON-ARAB MIDDLE EAST CRUDE IN 1978. USSR, HE NOTED, OFFERED INCREASE ITS QUANTITIES OF GAS TO BE SUPPLIED TO ITALY FROM TIESTE PIPELINE WHICH STARTS DELIVERIES IN MAY. GOI POLITELY DECLINED SOVIET OFFER.

3. IN SEPARATE CONVERSATION, FRANCISCI (SENIOR OFFICIAL HANDLING ENERGY AT MINISTRY FOREIGN AFFAIRS) GAVE US REWORK OF FAMILIAR THEMES, SAYING HE WILL URGE GOI TO SUGGEST THAT ENERGY CONFERENCE CONSIDER; (A) PRIVILEGED POSITION MULTINATIONALS AND THEIR ACQUIESCENCE TO PRODUCER PRICE DEMANDS; (B) DIFFICULTIES WHICH ARAB PROPENSITY TO INVEST IN US CAUSE FOR EUROPEANS AND (C) COMMON MEASURES TO COPE WITH PRICE SITUATION AND PREVENT FURTHER INCREASES.

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NOTE BY OCT: #REF TO STATE 6569 INCORRECT; NOT ADDRESSED ANY EUR POST.

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